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Donations of non-financial resources: The motivation and consequences of measuring and accounting for it

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Abstract

This thesis focus on the measurement and accounting of contributions received by nonprofit organizations, as they are a significant component of revenues nowadays. A survey was developed and forward to 38 different NPOs, with the goal of understanding their motivations and what advantages and disadvantages they believe would result if they start to measure and account for all kinds of contributions. They presented many advantages from this practice; however, some are not doing it due to the difficulties in valuing contributions with no market value which would require a higher workload, waste of resources and time to be taken from other important activities.

Keywords: Nonprofit, donations, accounting, motivation

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Introduction

A Nonprofit Organization (NPO), by definition, is prohibited to distribute any financial surplus from its operations[1], according to Hansmann (1980), and it operates for a beneficial purpose to a community[2]. The main difference between an NPO and a for-profit company is that the latter is profit-oriented; however, an NPO can perform a profit, it just cannot distribute its earnings to private persons.[2] NPOs operate with an external pressure, coming from the communities where they operate, to continue to perform their activity, since their beneficiaries are interested to continue participating in their projects. This is why sustainability of an NPO is so important, and this thesis will focus on contributions received by organizations as they are a significant portion of their resources. FASB[3] considers the accounting of contributions received by donators is important to guarantee the sustainability of a nonprofit organization.

It was developed a survey, and throughout this thesis it would be made an analysis of the responses in order to understand what is being done in the social sector, and what are the main motivations, disincentives, advantages and disadvantages of measuring and accounting for all kinds of contributions.

Literature Review

The purpose of accounting is to overcome the limitations of human memory and to provide knowledge about the situation of the organization and its business. Accounting is an efficient management technique and it presents the debtor and creditor position, the

[1] Khodjamirian, Yuri. June, 2008. Capital Structure of Nonprofit Organizations: A Dynamic Framework
[2] Gregory Dees, J.; Emerson, Jon; Economy, Peter. 2001. Enterprising Nonprofits: A toolkit for Social Entrepreneurs
[3] FASB: Financial Accounting Standards Board

composition and value of the property, the cost of goods or services sold, the origin of all expenditure and income, and the nature and importance of results.[4]

There are reciprocal and non-reciprocal transfers. A non-reciprocal transfer is a transfer of assets or services in one direction, also known as donation[5].Contributions are nonreciprocal transfers, transfers to or from entities acting other than as owners, and are made or received voluntarily[6]. These donations can be financial or non-financial, in cash or not, respectively.

In Portugal, there is an accounting normalization policy for companies and one for NPOs. Until 2011, both entities should comply with the same policy[7], after which it came out a more appropriate one for NPOs. The accounting normalization policy for nonprofit organizations (SNC-ESNL[8]) was approved by DL nr 36-A/2011[9] for entities exceeding 150.000€ in sales and other income. FAS (Financial Accounting Standard) 117 requires that all nonprofit organizations present a statement of financial position, a statement of activities and a statement of cash flow. The primary purpose of the financial statements is to provide information to those with an interest in the organization such as donors, members, creditors and other providers of resources for nonprofit organizations. These entities have the common interest of assessing the services the organization provides, and its ability to continue to provide them, that is, the extent to which the organization is sustainable. More specifically, the purpose of financial statements and accompanying notes is to provide information about: the assets, liabilities and net assets of the organization; the effects of transactions that change the amount and nature of net assets;

[4] Borges, António. 2010. Elementos da Contabilidade Geral. Áreas Editora
[5] APB opinion no 29
[6] FAS 116
[7] SNC: Sistema de Normalização Contabilística
[8] SNC-ESNL: Standardized Accounting System – Nonprofit Organizations
[9]DL nr 36-A/2011- Law number 36-A/2011

the inflows and outflows of economic resources; how the organization obtains and spends cash; how it finances its activities and programs.

The accounting of received contributions is established in the Financial Accounting Standard no. 116. Accounting for contributions is an issue primarily of nonprofit organizations, since those rely on donations as a great component of resources. Generally, contributions received are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received, at their fair values. However, regarding services there's an exception. Contributions of services are only recognized as revenues if they (a) create or enhance nonfinancial assets, or (b) require specialized skills and would be purchased if not contributed as a donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen[10]. Contributed services that do not meet these criteria, should not be recognized.

The best evidence of the contributed services or assets' fair value is quoted market prices, if available[10]. If quoted market prices are not available, fair value must be estimated through the quoted market prices for similar assets or valuation techniques, such as the present value of future cash flow.[10] Regarding contributed services, the value to consider shall be the fair value of the services received, or the fair value of the asset resulting from the services. Uncertainty about the existence of value means that the contribution should not be recognized.

Some nonprofits have included information about contributions in financial statement notes, but have not recognized them as revenues. The Financial Accounting Standards

[10] FAS 116

Board considers that this situation omits relevant information from financial statements about their economic resources, their obligations and about activities of the period, and it shouldn't substitute its recognition in Financial Statements.

FASB deems that nonmonetary information about the contributed services received is important to understand the organization's operations and its dependence on contributions. It may also be helpful in assessing the sustainability of the organization. Consequently it considers that consistent standards are needed to recognize contributions. Accounting helps assessing the sustainability of an organization since it makes possible to foresee and measure the impact of potential financial shocks[11]. However, as NPO have altruistic, qualitative, intangible and nonmonetary goals as its mission, they tend to neglect accounting control measures, because they are naturally associated to business organizations[11]. Therefore, accounting systems in the nonprofit sector have developed due to different pressures from the various stakeholders. An internal pressure from a commitment among the employees/volunteers and the beneficiaries of the project, or an external pressure from the community groups interested in participating or beneficiating from the project[11]. It's like having exit barriers[11] which makes financial sustainability even more important to guarantee the organization will continue operating.

Resources donated in general can also be considered revenues, as referred in FAS 117, which states donations should be reported as revenues. This criteria applies to donations in cash or in materials, or even services donated; and possible downturns of donations should also be considered to gauge financial sustainability of the organization.

[11] Abraham, Anne. 2003. "Financial Sustainability and accountability: a model for nonprofit organizations". University of Wollongong

Having these accounting measures allows NPO managers to measure possible impacts of financial shocks in their activities, and to prevent such impacts as much as possible in order to guarantee financial sustainability[12].

Accounting doesn't exist only to control the organization's performance, but most importantly to educate and improve them[13]. Ebrahim suggested that learning in an organization is most likely to happen if they are giving importance to evaluation and to the relationship between mission and accounting.

Moreover, besides the fact this practice is important to guarantee sustainability of an organization, it also improves the accuracy of information as the cost of service/product supplied by the NPO. Regarding this, this study would be based on the True Cost Accounting approach, which considers all kinds of resources (which may be contributed), to calculate the cost of the activity or service of an NPO. The TCA aims to capture all costs of the organization, as the most accurate financial information to stakeholders[14]. This accounting approach has many benefits for all stakeholders. For managers it is one more business management tool through which it is possible to make benchmarking; for the board it allows a better use of resources and makes possible to analyze the extent to which the NPO is self-sufficient as a stand-alone business; for funders and partners it may provide the social value of the program for the community, also the degree of the organization sustainability and how dependent is the NPO on contributions[14]. The true cost picture is important for determining a competitive pricing policy (in case the NPO charges an activity/program as a way of generating revenues) and future funding needs to sustain the organization in the long term[14]. The main particularity of this approach is the

[12] FAS 117

[13] Ebrahim, Alnoor (2010) "The Many Faces of Accountability" Harvard Business School

[14] Demonstrating Value. 2010. "Financial intelligence: a guide for social enterprise"

inclusion of hidden costs in a net profit analysis. Hidden costs are resources consumed during the normal course of the NPO activities that are not paid by the organization (contributions received). Examples of these costs are non-cash contributions, namely volunteer time, donated goods, materials or equipment, but also support from the parent organization in terms of advertising, accounting services, etc. The criteria to whether include or not the resources as hidden costs is: if the NPO needs to purchase that good/service if it had not been donated, and if it has a fair market value, then it should be accounted as hidden cost[15].

Methodology

As previously referred, in FAS 116, financial statements have the purpose of providing information to those with an interest on the organization since they are concerned about the NPO programs, and therefore worried about its sustainability. Contributions have a great impact on the sustainability of an organization, if an NPO stops receiving certain contributions its sustainability may be undermined, also previously referred in the FASB opinion. Accounting allows the previous analysis in case these shocks happen, forecasting its impact on the organization financial health.

I. Data collection

Hence, I made an assessment which was answered by 38 participants, which may be in any position of a Portuguese organization, from the president to the trainee. The survey was available from March 30th to April 23rd, sent directly to some institutions from lists available on the internet, without any previous selection, and sent to platforms of institutions that would consequently send to their associated institutions, as *Plataforma das ONGd's* and *Compra Solidária*. (Survey in Appendix I)

[15] Demonstrating Value. 2010. "Financial intelligence: a guide for social enterprise"

II. Analysis

The purpose of this analysis is to understand what organizations think about this topic, if they are accounting these contributions or not, why they're doing and why they're not doing it, what will make them start doing it or not, what are their motivations and demotivations and, consequently, the advantages and disadvantages.

After collecting 38 responses from different non-profit organizations through an online survey, where participants were of all ages, positions in the organization and academic backgrounds, it is possible to infer some conclusions about what is being done in the sector, and what are their motivations and indicated consequences of accounting and measuring non-financial contributions of the people in these organizations.

The sample is constituted by 38 people, 12 of which are men and 26 are women, in a weight of 32% and 68% (Appendix II), respectively. Regarding age, the sample is distributed in 60,5% of people between 20 and 45 years old and 39,5% from 46 to 70 years old (Appendix III). The interval of [41-45] has a major representation in this sample. Concerning the position in the organization, it is possible to see a high representation of presidents and professional staff, representing 71% of the sample altogether (Appendix IV). A great portion of the sample presents high levels of academic background such as undergrad or master, representing altogether 81,6% of people with a high degree (Appendix V).

It is interesting, since it would not be expected, to conclude that the position and the academic background are not much correlated, presenting a positive correlation of only 11,6%, and with a significance level of 0,5 which means this is not a conclusive result and would be needed a wider sample to conclude about this relationship (Appendix VI). In addition, it gets clear that 34,2% (Appendix VII) of the respondents have academic backgrounds in the areas of management, economy or accounting and this is not much related to the position of the respondent, as may be though that some positions would require more management, economical and accounting backgrounds. The correlation is still positive, but only 12% explain that higher positions in the organization require a background in those areas, however here it would also be needed more observations in the sample to conclude the veracity of this hypothesis (Appendix VIII).

Regarding bylaws of the organization, the sample presents 32% IPSS's, 16% associations, 13% cooperatives, 13% simultaneously NGOd and Association, 8% NGOd's, 5% NGOs, 5% Foundations, and also 5% of Foundations which are also IPSS's; still there is a little portion of associations which are also labelled NGOd and IPSS's, in 3% (Appendix IX).

Regarding the area of intervention, the sample presents 13% of organizations dedicated solely to education, 16% dedicated exclusively to health, 32% of the organizations are dedicated to human rights along other areas such as health, civic engagement and economic development, 32% are dedicated to Education but also to human rights, health and economic development, while the remaining 8% of the sample perform different areas among them such as environment, civic engagement, mobilization of resources and health (Appendix X).

The level of revenues among the sample is distributed as follow: 45% of the organizations present less than 80.000€ of revenues, 18% are in the interval of [80.000-150.000], 5% in [150.000-300.000], 3% in [300.000-500.000], 18% in [500.000-1.000.000] and 11% with revenues higher than 1.000.000€ (Appendix XI).

As the accounting normalization policy for nonprofit organizations (SNC-ESNL) was approved by DL nr 36-A/2011 for entities exceeding 150.000€ in sales and other income, it is interesting to see if there's any difference regarding their practices of accounting and measuring between organizations with revenues lower than 150.000€ (63%) and organizations with revenues higher than 150.000€ (37%). In fact, of the 24 organizations with revenues lower than 150.000€, 71% answered they measure and record all contributions (financial and non-financial) received, while from the 14 organizations with revenues higher than 150.000€, 79% answered they measure and record all the contributions received (Appendix XII). However, it is not a substantial difference, what may evidence that it is not the legal compliance that motivates organizations to measure and account for these resources.

In general terms, 74% of the sample answered they measure and account for all contributions received, from which 2 participants added that they do it for all contributions except for volunteer work; 8% measure all contributions, but aren't able to record them all in accounting; 18% can measure and record only financial contributions, and no one answered they don't measure nor account any contribution, which is positive (Appendix XIII).

From the 8% that answered they only measure the contributions but can't record them in accounting, the reasons were (1) those contributions were to be donated again to the beneficiaries of the organization (33%) and (2) lack of knowing how to do it (33%). Still some didn't justified (33%) (Appendix XIV).

From the 18% that only measure and account for financial contributions, presented reasons were lack of knowing how to measure non-financial contributions (43%), lack of resources to waste in this subject (29%), and other (29%) not justified (Appendix XV).

Those who are only measuring and accounting financial contributions, or only measuring but not accounting all kinds of contributions, when asked if it was possible for them to start to do it completely, how would they beneficiate, the answers were: accurate information about the cost of our service/activity (10%), understanding the impact of the contributions in the organization and the respective savings held (10%), improvement of resources management (10%), disclose this information to contributors showing the importance of their contributions (10%), incentive for other partners to contribute (10%), appraise of their work (10%), knowing the trends of donators (10%), and some unawareness (30%) (appendix XVI).

All organizations were asked what they think are the advantages and disadvantages of measuring and accounting for financial and non-financial contributions.

Starting with the advantages and disadvantages of measuring and accounting for financial contributions, the sample we'll be dividing into two groups in order to compare their differences. The groups will be: (1) the organizations that already measure and account for financial contributions, and (2) the organizations that only measure but do not account for financial contributions. The first group believes the major advantage is transparency in management, for donators, associates, investors, community in general and public entities (36%); a better management of resources, with much efficiency and efficacy, allowing the planning of the contributions and the recognition of the real accounting values (20%); knowing the received amount in donations per year, controlling the inflows, recording yearly revenues allowing a history of contributions received and knowing the impact of these contributions in the organization (16%); being in legal compliance (8%); more credibility and proof of performed works, justifying the received contributions in future applications (6%); a more efficient demand for funding (4%); fiscal benefits for donators (2%); it is advantageous for the State (2%); it may be a way of disclosure for the organization (2%) and may bring fiscal benefits to the organization (2%).

On the other hand, for organizations that are only measuring but not accounting for financial contributions, the advantages they believe that result from this practice are: transparency (25%); a better planning and control of resources (25%); legal compliance (25%); and fiscal benefits for donators (25%).

Comparing the two groups of the sample, the organizations which are already doing it with financial contributions define a wider range of advantages than the organizations which are not doing it.

Concerning the disadvantages for the organizations that are already measuring and accounting for financial contributions, the major disadvantage of this practice is the added work and the wasted resources to do this which were taken from other areas. The organizations which are only measuring but not accounting the financial contributions, they don't define any disadvantage to this practice.

Going to non-financial contributions, the sample will be divided in 3: (1) the group of organizations that measures and accounts for them, (2) the group that only measures but don't account them, and (3) the group that neither measures nor accounts them.

Starting with the group of organizations that measures and accounts for non-financial contributions, regarding advantages, they believe the major one is transparency (38%); knowing the impact of these contributions in the total income of the organization, will allow to better manage the resources (20%); controlling the inflows, recording the trends of donators (15%); knowing the value of the services provided by the organization (8%); legal compliance (5%); credibility and external visibility making demand for funding more efficient (5%); awareness of beneficiaries of the value they are receiving (3%); disclosure of the organization (3%); better ability to focus on future campaigns (3%); valuing the contributions and the ones who give them (3%).

Going to the group of organizations which measure but don't account for non-financial contributions, they believe the major advantage of the practice is transparency (40%); followed by knowing the impact of the contributions in the organization, the savings held, a better management of available resources (20%); recognition of people or entities that contribute but are not disclosed (20%) and knowing the real value of the services of the organization (20%).

Finally, the group which neither measures nor accounts for non-financial contributions they believe the major advantages are: transparency (22%) and a better management of available resources by knowing the real costs and revenues of the organization and the savings held (22%); followed by control of inflows (11%); credibility (11%); unawareness (11%); better ability to focus on future campaigns (11%) and knowing the value of the services provided by the organization (11%).

As for financial contributions, the differences between the groups for non-financial contributions analysis are similar. The group measuring and accounting for non-financial contributions presents a wider range of advantages compared to the other two groups. Also, it is interesting to verify that the second group, the group which only measures the contributions, is much value-focused as the advantages it indicates are much related to valuing the activities**,** a better management of resources, etc, and less worried about legal compliance and accounting, which seems reasonable.

Lastly, to the disadvantages of the measurement and accounting of non-financial contributions, in the first group the disadvantages come with the added workload, the cost it represents to the organization and the time wasted (47%), the difficulty in measuring the contributions due to lack of standardization of proxies (40%); the possibility of manipulation and fraud (7%) and the increase of taxes due to higher revenues recorded

(7%). The second group only indicated two disadvantages which were the added work and wasted resources (50%), and the accounting control that would result from this practice (50%). For the third group, there are some unawareness (20%); also the difficulty in measuring the contributions due to the lack of market values (20%) and the increase in taxes due to higher revenues recorded (60%). Here the disadvantages are very similar, being the added work a common disadvantage. The first group states that it is difficult to measure the contributions, and they are the group who does it, being this statement the result of an experience.

Participants were asked what they believe would be the advantages and disadvantages for stakeholders by having access to these extra information about contributions. The answers were low focused on the stakeholders and much more focused on the organization, having many advantages and disadvantages similar to ones referred in the previously analyzed questions. Nonetheless, as advantages, they referred transparency (21%), knowing the real dimension of the organization (14%), credibility of the management and valorization of the institution (9%), recognizing of the importance of these contributions to the sustainability of the organization and its projects (9%), access to the real cost of the activity (5%), visibility and recognition of the contributors as much as funders are already recognized (5%), a more efficient organization and mobilization of resources (5%), knowledge for the contributors about the use of the contributions (2%), analysis of the resources needs (2%), increase in the quality of service (2%); accountability (2%), fiscal benefits (2%) and yet the possibility of future funds and partnerships (2%). While, as to disadvantages, the participants considered it may discourage contributions and cut subsidies (9%), excess of bureaucracy (5%), it enables mistrust (2%), and yet, as both advantage and disadvantage, the possibility of motivation or demotivation according to the results (2%).

Regarding taxes, the participants that referred as a disadvantage the increase in taxes were mainly Cooperatives (50% of the answerers referring this disadvantage were cooperatives, but only 40% of cooperatives referred this disadvantage) and Associations (50% of the answerers referring this disadvantage were associations, but only 29% of associations referred this disadvantage), and all have an Education as at least one of the areas of intervention. The CIT Code[16] states in the 10th article that (a) IPSS's or other equivalent entities, (b) collective people of public administrative utility and (c) collective people of public utility which run, exclusively, scientific, cultural, of charity or support, social solidarity or protection of the environment goals, are exempt of CIT. However, this exemption doesn't preclude income derived from commercial activities developed out of the scope of their statutory goals. In addition, the 11th article states that the income derived from cultural, sports or recreative activities are only exempt of CIT if they have never distribute results, and their social bodies have no direct or indirect interest in the results of their executed activities, and if they have accounting which comprises all activities and disclose them to fiscal services for the verification of the above.

Therefore, it is impossible in this study to infer which institutions are under the scope of those articles and which are not, since it depends on their bylaws and if they're developing commercial activities or not. However, regarding cooperatives, under 2nd article of CIT code, they are subject to the CIT, which explains the fact that 40% of cooperatives referred taxes as a concern regarding the record of non-financial contributions.

[16] Corporate Income Tax Code

Furthermore, specifically on the subject of contributions, if they are intended to the statutory ends of the institution they are exempt of CIT.

The organizations, when asked to say what is more important between measuring/accounting non-financial contributions and measuring/accounting financial contributions, 82% considered both important, and the remaining considered financial contributions more important. No one indicated the measuring and accounting of non-financial contributions more important than financial contributions.

On the subject of the organization stakeholders, the organizations had to rank them according to how much this information about financial and non-financial contributions would be important for them. In the sample, 37% of the organizations considered funders the stakeholders who would be more interested in this type of information, followed by Clients for which 34% of the organization considered the information more important, 26% stated the managers would be the ones using this information in the most useful way, and only 3% considered this information would be important for volunteers (Appendix XVII). No one referred to staff.

Concerning variables that may influence their decision to measure and account, or not, for all kinds of contributions, a higher level of revenues motivates them to do it in a 55% correlation. However as it has a significance level of 0,6 it is impossible to conclude about the veracity of this hypotheses, it is only possible to say that the correlation applies in 40% of the cases. As to the position of the answerer, it indicated a low positive correlation (12%) with a 0,5 significance level, meaning it is not conclusive and in addition wouldn't make sense to infer that in 50% of the cases the correlation is 12% as it is much low. By way of the academic level it presented a 12,5% positive correlation with a 0,5 significance level, here too would be needed a wider sample to infer any conclusion about the hypothesis.

Conclusions

It is possible now to answer to the initial questions: what are the motivations for NPOs to measure and account for non-financial contributions; what advantages and disadvantages they believe that result from this practice, and why are they doing it or not doing it.

A significant portion of the sample is measuring and accounting all contributions, including non-financial, and adding they are not doing it with volunteer work, which is reasonable since in FAS 116 it is stated that only services with market value can be accounted, as services of advocacy, electricians, doctors, etc.

What motivates them? It was impossible to understand, through this sample, if any variable such as revenues, position or academic background would influence and motivate the accounting and measuring of all kinds of contributions.

When asked if it was possible to implement this practice the NPOs answered positively they would benefit from that, by, for instance, knowing the real cost of its service/product (which is the true cost accounting approach) and a better management of resources. Besides that, future funding is another motivation since they considered it may be possible to gain new contributors with this practice and also consider this information as most relevant for funders. In addition, it is considered that this practice allows the recognition of the importance of the contributions in the sustainability of the organizations and its projects, as it was raised previously by FASB, and it is also important for the image of the organization as it brings credibility and valorisation by stakeholders.

In the tables in appendices XVIII and XIX, advantages and disadvantages are clustered in different groups of the sample according to what they are doing and not doing in the subject of accounting and measuring for contributions. These clusters make possible to understand that organizations who are measuring and accounting of non-financial and financial contributions, have more experience and knowledge about the practice and could indicate a wider range of advantages; while the organizations that only measure but do not account for all kind of contributions, showed less advantages and disadvantages, which may be due to not being familiar with the practice. There is also some lack of knowledge about this practice for the ones who are not doing this, which seems reasonable.

In general, the participants considered there are many advantages resulting from this practice and their organizations would benefit from this, however they lack resources and knowledge to do it.

As internal barriers to this practice, that is, intrinsic to the organizations, there is the lack of resources of the institutions and they don't believe the available resources should be taken from their activities to focus on this task, lack of knowledge of the advantages of this information and how to use the information to benefit the organization. While, as external barriers that is the lack of proxies to evaluate contributions, the possibility of losing subsidies, funding and contributions as organizations would disclose more information about actual contributions and a possible increase in taxes according to the statutory bylaws of the organization.

Reminding what was stated in Literature Review, that accounting is an important tool to present the origin of all expenditure and income and the nature and importance of results (FAS 117), this is consistent with what participants referred as benefits and advantages of accounting and measuring all kinds of contributions: control of inflows, understanding the impact of the contributions in the organization and the savings held. In addition, as to the purpose of financial statements which is to provide information to those with an interest in the organization such as donors, members, creditors and other providers of resources for the NPO, and which have the interest of assessing the ability of the organization to continue to provide its services[17] (the extent to which the NPO is sustainable), it was also evidenced in the answers of the participants through the advantages and benefits they presented: transparency, disclosing this information to contributors showing their importance for the organization, recognition of the importance of these contributions to the sustainability of the organization and its projects and knowledge for the contributors about the use of contributions. Furthermore, financial statements are also important to provide information about the inflows and outflows of economic resources, how the organization obtains and spends cash and how it finances its activities and programs[17], and this was present in the answers of the participants: control of inflows, understanding the real dimension of the organization, knowing the value of the services provided and a better management of resources by knowing the real costs and revenues of the organization. At least, regarding the interested members in the organization, the participants considered the information important for contributors for them to know the use and importance of contributions, for the beneficiaries to know the value they are receiving and for managers to be able to manage resources with more efficiency. Contributors and beneficiaries were stated in FAS 117 as interested members in the organization whom would need information to assess the sustainability of the organization and managers were referred in the True Cost Accounting approach as interest in improved management tools to perform better decisions.

[17] FAS 117

However, even though the advantages and benefits are consistent with the stated literature and there is also a technique to measure the contributions, stated by FAS 116 (the proxy should be quoted market prices or estimated by a valuation method such as the present value of future cash flow), participants referred much difficulty in measuring those contributions and simultaneously a high workload to make this happen. Having this in mind, future investigation to complement this study would be to develop a system of proxies or a system of valuation for non-cash contributions, with low subjectivity criteria in order to standardize the process in the sector. This would allow the True Cost Accounting approach and consequently the benchmarking in the Social Sector. Furthermore, in order to guarantee the best use of the information that will come with this practice, it would be helpful for the organizations to have available management practices that would explore the information available regarding this practice in order to bring the efficiency and the better management of resources (referred as advantages by participants) and contributing to its sustainability. Still, as it was asked, through the survey, what would be the benefits if the stakeholders have this information available, it would be interesting to understand the opposite: what would be the impact if omitting this information from funders, donors, managers and other stakeholders when analysing the performance of an NPO.

Limitations

The size of the sample did not permit a complete analysis of correlations between the different variables. In addition, the answers may be untrustworthy since any person of the organization could answer and not all staff know what is happening in the organization regarding this subject. The same applies to advantages and disadvantages, from this practice, mentioned by participants, since different levels of knowledge would result in different perspectives which were then representing the opinion of an organization.

Glossary

NPO – Nonprofit Organization IPSS – Private Institution for Social Solidarity CIT – Corporate Income Tax NGO – Nongovernmental Organization NGOd – Nongovernmental Organization for development TCA – True Cost Accounting

Appendices

I. Survey

1. Name of the Participant
2. Age
    1. [20-25]
    2. [26-30]
    3. [31-35]
    4. [36-40]
    5. [41-45]
    6. [46-50]
    7. [51-55]
    8. [56-60]
    9. [62-65]
    10. [66-70]
    11. [71-75]
    12. >75
3. What is your job/role in the organization?
    1. President
    2. Vice-president
    3. Treasurer
    4. Board Member
    5. Professional Technician
    6. Intern/Trainee
    7. Volunteer
    8. Member of the General Assembly
    9. Member of the Fiscal Counsel
4. What is your qualification level?
    1. Level I – Corresponding to Middle School (2nd Cycle) or less
    2. Level II – Corresponding to Middle School (3rd Cycle)
    3. Level III – Corresponding to High School
    4. Level IV – Corresponding to High School, obtained through an Internship or Dual Certification
    5. Level V – Post-High School Qualification (as figured in the technological specialization diploma, qualified to enroll in a Level IV profession)
    6. Level VI – Superior Qualification – Graduate
    7. Level VII – Superior Qualification – Master's Degree
    8. Level VIII – Superior Qualification – Doctorate/PhD
5. Does your training include Management/Economy/Accounting?
    1. Yes
    2. No
6. Organization Name
7. What is the Organization's statute?
    1. Association
    2. Foundation
    3. NGO
    4. NGOd – Non-governmental Organization for Development
    5. Mutuality
    6. Cooperative
    7. Private Institutions of Social Solidarity - IPSS
    8. Holy House of Mercy
    9. Corporation
8. Your Organization is devoted to…
    1. Education/Qualification – development of initiatives and new educational methods that promote liberating learning processes (instigate critical thinking, decision making, responsibility, teamwork and creativity), training events and educational methods for adults).
    2. Human Rights – development of initiatives that ensure compliance with Human Rights - both civil and political (freedom of speech, political representation, etc.), economic, social and cultural rights (health, food, housing, employment, etc.))

3. Environment – development of initiatives that protect the environment, by addressing social issues closely related to this one. Actions such as preservation of natural resources, creation of sustainable urban design, reuse and recycling of various objects and resources, among others.
4. Health – development of initiatives that promote quality of human health, through strengthening of sanitation systems, information sharing, increase access to essential drugs, establishment of public-private partnerships that promote equality in health, among others.
5. Civic Involvement – development of initiatives that promote efficient amplification of individual voices, enhancing civic engaging and participation.
6. Economic Development – development of initiatives that promote expansion of economic opportunities, strengthening negotiation and markets for the poorest, remodel of resources allocation system, infrastructure and value chains, market safety access, developing efficient production and distribution mechanisms of services and goods. Innovative solutions that promote quality of life.
7. Resources Mobilization – development of fundraising and mobilization initiatives, technical and human resources that promote better functioning of organizations and initiatives.

9. The Organization revenues are…

1. Less than 80.000€
2. 80.000€ to 150.000€
3. 150.000€ to 300.000€
4. 300.000€ to 500.000€
5. 500.000€ to 1.000.000€
6. Over 1.000.000€

10. In your organization, is there measurement and/or accounting record of received donations (of any kind)?
*donations of all kinds – financial (cash contributions received), and non-financial donations (material contributions, services, volunteer work, assignment of spaces).

1. In my organization, we measure (monetary value) and register in accounting all types of contributions we receive.
2. In my organization, we measure (monetary value) but we don't register the contributions received in accounting.
3. In my organization, we only measure and register in accounting financial contributions (cash donations).
4. In my organization, we don't measure nor register in accounting the received contributions.

11. Why doesn't your Organization measure nor register the received contributions?

1. Lack of resources, because it's very expensive to have people dedicated to the assessment and register of contributions
2. We don't believe that it's benefic for the Organization
3. We don't know how to do it in our Organization

12. Why doesn't your Organization register in accounting all received contributions?

1. We don't know how to do it
2. Lack of resources, because it's very expensive to have people dedicated to the assessment and register of contributions
3. We don't believe that it's benefic for the Organization

13. Why doesn't your Organization measure nor register non-financial contributions?

1. We don't know how to measure its value.
2. We don't believe that it's benefic for the Organization
3. Lack of resources, because it's very expensive to have people dedicated to the assessment of contributions

14. If it were possible for your Organization to do it, how do you believe your organization would benefit from this new practice?

15. What pros and cons do you think are the result from the measurement and accounting records of financial contributions (cash donations)?

16. What pros and cons do you think are the result from the measurement and accounting records of non-financial contributions/donations (food, space, resources, services, etc.)

17. Place in order of importance

1. Measurement and recordkeeping of received financial contributions
2. Measurement and recordkeeping of received non-financial contributions
3. Both are equally important

18. For whom do you believe this information is more important (value and recordkeeping of financial and non-financial contributions)?

1. Funders
2. Customers/Beneficiaries
3. Staff
4. Managers
5. Volunteers

19. What are the pros and cons for different stakeholders, when they analyze the Organization, if they have access to this information?

II

Gender	Number	% of the sample
Men	12	32%
Women	26	68%

III

Age	N	%	Cumulative %
[20-25]	1	2,6%	2,6%
[26-30]	1	2,6%	5,3%
[31-35]	5	13,2%	18,4%
[36-40]	5	13,2%	31,6%
[41-45]	11	28,9%	60,5%
[46-50]	1	2,6%	63,2%
[51-55]	5	13,2%	76,3%
[56-60]	3	7,9%	84,2%
[61-65]	3	7,9%	92,1%
[66-70]	3	7,9%	100%
Total	38	100%	

IV

Position of the answerer in the organization			
	Frequency	Percentage	Cumulative Percentage
President	16	42,1%	42,1%
Vice-President	0	0%	42,1%
Treasurer	3	7,9%	50,0%
Board member	4	10,5%	60,5%
Professional technician	11	28,9%	89,5%
Volunteer	2	5,3%	94,7%
Member of General Assembly	1	2,6%	97,4%
Member of the fiscal Counsel	1	2,6%	100%
Total	38	100%	

V

Academic Qualifications level	N	%	Cumulative %
Level II	1	2,6%	2,6%
Level IV	1	2,6%	5,3%
Level V	5	13,2%	18,4%
Level VI	22	57,9%	76,3%
Level VII	9	23,7%	100%
Total	38	100%	

VI

Pearson Correlation	Position in the Organization
Academic Background	11,60%
Significance level = 0,5	

VII

Area of education	N	%
Management/Economics /Accounting	13	34%
Other	25	66%

VIII

Pearson Correlation	Position in the Organization
Management/Economics/ Accounting Backgrounds	12%
Significance level = 0,5	

IX

Bylaws	N	%
IPSS	12	32%
Association	6	16%
Cooperative	5	13%
Association and NGOd	5	13%
NGOd	3	8%
Foundation	2	5%
NGO	2	5%
Foundation and IPSS	2	5%
Association, NGOd,IPSS	1	3%

X

Area	N	%
Human Rights (and other areas such as Health, civic involvement and economic development)	12	32%
Education and other	12	32%
Health	6	16%
Education	5	13%
Remaining (civic involvement and economic development, etc.)	2	5%
Environment	1	3%

XI

Revenues (€)		N	%
1	<80.000	17	45%
2	[80.000-150.000]	7	18%
3	[150.000-300.000]	2	5%
4	[300.000-500.000]	1	3%
5	[500.000-1.000.000]	7	18%
6	>1.000.000	4	11%

XII

Accounting and measuring all kinds of contributions			
Revenues (€)	N	N*	Percentage
[0-150.000]	24	17	71%
>150.000	14	11	79%
*N: Accounting and measuring all kinds of contributions			

XIII

	N	%
In my organization, we measure (monetary value) and register in accounting all types of contributions we receive.	28	74%
In my organization, we measure (monetary value) but we don't register the contributions received in accounting.	3	8%
In my organization, we only measure and register in accounting financial contributions (cash donations).	7	18%
In my organization, we don't measure nor register in accounting the received contributions.	0	0%

XIV

Measuring but not accounting for contributions received	N	%
We don't know how	1	33%
Lack of resources, because it's very expensive to have people dedicated to the assessment and register of contributions	0	0%
Other (the contributions were to be donated again to the beneficiaries of the organization)	1	33%
No justification	1	33%

XV

Measuring and accounting only financial contributions	N	%
We don't know how to measure its value.	3	43%
We don't believe that it's benefic for the Organization	0	0%
Lack of resources, because it's very expensive to have people dedicated to the assessment of contributions	2	29%
Other	2	29%

XVI

Benefits	%
Accurate information about the cost of the product/service	10%
Understanding the impact of these contributions in the institution and the respective cost savings	10%
Improvement of resources management	10%
Disclose these information to contributors showing the importance of their contributions	10%
Incentive for other contributors to contribute	10%
Appraise of their work	10%
Knowing the trends of donators	10%
Unawareness	30%

XVII

This information is most important to:	N	%
Funders	14	37%
Beneficiaries/Clients	13	34%
Managers	10	26%
Volunteers	1	3%
Staff	0	0%

XVIII

Advantages for measuring and accounting for:	Financial Contributions	Non-Financial Contributions
A(the organizations that already measure and account for financial and non-financial contributions)	1. Transparency	1. Transparency
	2. Better management of resources with much efficiency	2. Knowing the impact of these contributions being able to better manage the resources
	3. Control of inflows and knowing its impact in the organization	3. Controlling the inflows, recording the trends of donators
	4. Legal compliance	4. Knowing the value of the services provided by the NPO
	5. Credibility	5. Credibility
		6. Awareness of beneficiaries of the value they are receiving
	6. More efficient demand for funding	7. Disclosure of the NPO
		8. Better ability to focus on future campaigns
	7. Donors may receive fiscal benefits	9. Value the ones who give the contributions
B (the organizations that only measure and account for financial contributions)	8. Advantageous for State	1. Transparency
		2. Better management of resources by knowing the real costs and revenues of the NPO and the savings held
		3. Control of inflows
	9. Way of disclosing the NPO	4. Credibility
		5. Better ability to focus on future campaigns
		6. Knowing the value of the services (or products) provided by the organization
		(in this group some stated unawareness)
C (the organizations that only measure but do not account for all kind of contributions)	1. Transparency	1. Transparency
	2. Better planning and control of resources	2. Knowing the impact of the contributions in the organization and the savings held
		3. Better management of available resources
	3. Legal compliance	4. Recognition of people or entities that contributed
	4. Fiscal benefits for donors	5. Knowing the real value of the service (or product) of the NPO

XIX

Disadvantages of measuring and accounting for:	Financial Contributions	Non-Financial Contributions
A (the organizations that already measure and account for financial and non-financial contributions)	1. Added work	1. Added work
		2. The cost it represents for the NPO
		3. Waste of time
		4. Difficulty in measuring the contributions due to lack of proxies
		5. Manipulation and fraud
	2. Waste of resources taken from other areas of work	6. Increase of taxes
B (the organizations that only measure and account for financial contributions)		1. Difficulty in measuring the contributions due to the lack of market values
		2. Increase in taxes
		(in this group some stated unawareness)
C (the organizations that only measure but do not account for all kinds of contributions)	No disadvantages	1. Added work
		2. Waste of resources
		3. Accounting control

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